

TENNESSEE
DIVISION OF CONSUMER AFFAIRS



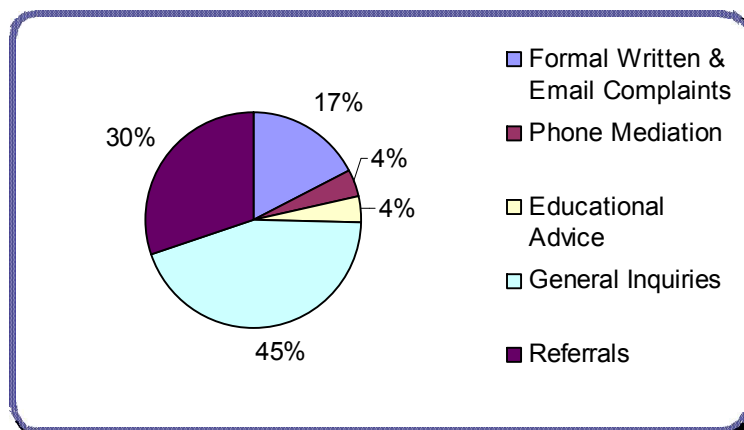
2006 REPORT
TO THE GENERAL ASSEMBLY

Created in 1977, the Tennessee Division of Consumer Affairs works to enforce the state Consumer Protection Act and to assist consumers and business owners who have been affected by unfair business practices.

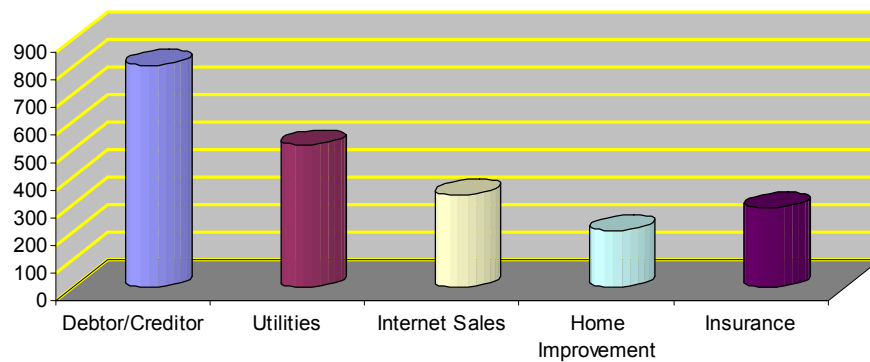
The division is divided into four sections: the Complaint Management System (CMS), the Contractor/Homeowner Accountability and Mediation Program (CHAMP), Registrations, and Education.

CMS provides mediation services to consumers covering one hundred sixty-five (165) subjects. In addition, it also serves as a clearinghouse for complaints that fall under the jurisdiction of other governmental agencies.

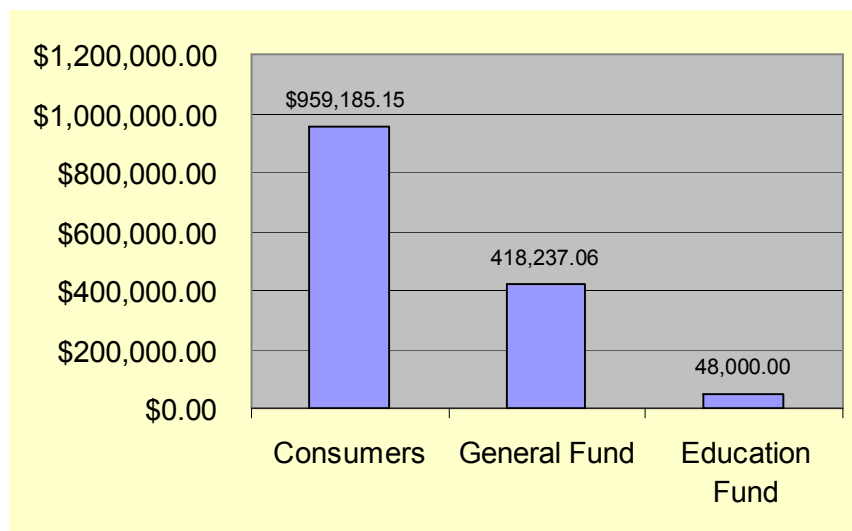
In fiscal year 2005, CMS received 4,747 formal written complaints, 368 by email, mediated 1,231 by phone, gave educational advice on 1,197 occasions, and received 13,311 general inquiries. CMS also referred 8,928 complaints to other local, state and federal agencies. CMS obtained refunds and/or recovered merchandise for consumers totaling \$959,185.15.



Debtor/Creditor, Utilities, Internet Sales, Home Improvement and Insurance are the **top five categories** of complaints filed with the division. Middle Tennessee consumers filed 1,591 formal complaints followed by East Tennessee with 935 and West Tennessee with 708. The remaining 1,513 complaints were filed by out-of-state residents against Tennessee businesses.



CMS also works closely with the Office of the Attorney General, Consumer Advocate and Protection Division, referring complaints where there is a pattern of unfair or deceptive practices. Because of the cooperation between the agencies, CMS has been instrumental in returning \$418,237.06 to the General Fund and receiving \$48,000.00 to the division's Education Fund.



CHAMP, the Contractor/Homeowner Accountability and Mediation Program, is a new section of the division, beginning in January, 2005. The purpose of the program is to provide consumers an additional resource in dealing with contractor disputes.

Formerly, the state Board for Licensing Contractors and the Home Improvement Commission dealt with administrative consumer-related cases. Currently, with the advent of CHAMP, the Board and the Commission now concentrate their respective efforts on licensing violation matters only, while all consumer-related complaint matters are referred to CHAMP. This consumer-based complaint process allows the parties to agree on making repairs, or corrections, or to resolve residential construction issues without administrative disciplinary hearings. Contractors who are not responsive are placed on a “Problem Contractor List” which is posted and updated regularly on the division’s website. After being placed in the PCL, a contractor may petition the division to be removed from the list for good cause.

There were one hundred sixty-three (163) complaints filed with CHAMP during this reporting period. Many were successfully resolved and others were referred to the Board for Licensing Contractors for review and possible disciplinary action.

Education of the consumer is a small, but vital role in the division. We strongly believe that providing educational opportunities to consumers is important in assisting them in making wise choices in their day-to-day activities. Partnering with the Insurance Division, Securities Division and the Department of Financial Institutions, the division continues to conduct consumer workshops and has held them in West and East Tennessee during this reporting period.

The director and certain staff members frequently speak to groups on consumer issues and the division strives to provide a speaker whenever requested. The division is constantly seeking new methods to reach consumers and keep them informed.

Printed material is also available from the division on many topics and is made available to consumers through mailings, speaking engagements and workshops.

The division began outreach to the Hispanic community by attending community meetings and providing information on a variety of topics. There is also a staff member in the Department of Commerce and Insurance who translates complaints into English and the response to the consumer into Spanish.

The division is also involved in the creation of the **Consumer Corp Handbook** that will serve as an educational resource for consumers. The handbook will offer a listing of each county’s legislative members, as well as information concerning each division within the Department of Commerce and Insurance. A brief summary of the responsibilities and duties of each division will be included in the handbook along with contact information for regulatory boards and

commissions to assist the consumer in filing complaints and finding answers to questions.

Registration of health clubs and beauty pageants is also under the jurisdiction of the division. There were two hundred forty-three (243) health club registrations and twenty (20) beauty pageant registrations in Tennessee during this reporting period.

2005 Formal Actions

Settlements

State of Tennessee v. Jaffton B. Richardson a/k/a Jay Richardson – non-attorney representing consumers in legal proceedings in state courts. Resulted in \$14,000.00 payment to General Fund.

State of Tennessee v. State Farm Mutual Automobile Insurance Company – allegedly did not have ability to confirm that branded certificates of title were obtained for total-loss vehicles. Resulted in \$15,000.00 payment to General Fund.

State of Tennessee v. Mike Sharp – allegedly placed items on eBay and received money from consumers but did not deliver items. Resulted in \$10,000.00 payment to General Fund.

State of Tennessee v. Keith Dyer, d/b/a GICO and Phase 7 – deceptive promotions of home business “work at home stuffing envelopes and make thousands of dollars.” Resulted in \$38,237.06 payment to General Fund and \$10,000.00 to division Education Fund.

State of Tennessee v. Magnetic Ideas, Inc., C. Gene Abbott and Salena Colburn – refused to provide refunds upon return of product and/or refused to accept returns from consumers. Resulted in \$12,000.00 payment to General Fund and \$1,000.00 to division Education Fund.

State of Tennessee v. Daniel J. Gleason, Individually and d/b/a Tax Toolbox, Inc., My Tax Man, Inc., MTM Franchising, Inc. – claimed to be a tax attorney in order to recruit people into an illegal pyramid marketing scheme. Resulted in \$50,000.00 payment to General Fund.

State of Tennessee v. Bill Heard Chevrolet Corporation, Nashville – allegedly violated Tennessee Consumer Protection Act with direct mail promotional mailing. Resulted in \$18,000.00 payment to General Fund and \$12,000.00 to division Education Fund.

State of Tennessee v. Ramilaben Patel d/b/a Tip Top Mart #3 – price gouging. Resulted in \$1,000.00 payment to General Fund.

State of Tennessee v. DirecTV – small unreadable print in advertisements purported to modify offers, and lack of clarity pertaining to exact monetary commitments to DirecTV until after consumers were obligated by contract. Resulted in \$260,000.00 payment to General Fund and \$25,000.00 to division Education Fund.

In Litigation

State of Tennessee v. Strategic Telecom Systems, Inc. – alleged unsubstantiated earnings claim, defective products and violation of the company's refund policy in sales of pre-paid calling cards.

State of Tennessee v. New Beginning Credit Association, Inc. – alleged failure to deliver new credit promised.

State of Tennessee v. Travis Thompson d/b/a Gold's Gym – unregistered health club that purchased the assets of another health club while unregistered.

State of Tennessee v. John Plausse International, Inc. – misrepresentations in selling of career services.

State of Tennessee v. Vincent Gould d/b/a We The People – alleged misrepresentations in operation of document preparation service franchise.

State of Tennessee v. Friedman's, Inc. – adding on costs for insurance covering financed jewelry purchases without consumers' knowledge and failure to license its employees to sell insurance.

State of Tennessee v. Kenneth McFarland a/k/a Chris Hill – failure to ship merchandise sold through eBay auctions.

State of Tennessee v. Billy L. Couch, M.D. – allegedly marketed last year's flu vaccine to approximately 80 consumers in Tennessee.

State of Tennessee v. Britlee, Inc. d/b/a Laptoyz Computers and Electronics

**Division of Consumer Affairs
Organizational Chart**

